

**EIGHTY-FOURTH GENERAL ASSEMBLY  
2012 REGULAR SESSION  
DAILY  
HOUSE CLIP SHEET**

MAY 2, 2012

**Senate Amendment to  
House Amendment to  
SENATE FILE 2293**

**H-8512**

1 Amend the amendment, S-5183, to Senate File 2293,  
2 as amended, passed, and reprinted by the Senate, as  
3 follows:  
4 1. Page 1, after line 2 by inserting:  
5 <\_\_\_\_. Page 2, after line 6 by inserting:  
6 <Sec. \_\_\_\_\_. Section 505.8, Code Supplement 2011, is  
7 amended by adding the following new subsection:  
8 NEW SUBSECTION. 6A. The commissioner shall  
9 establish a bureau, to be known as the "health  
10 insurance and cost containment bureau", as provided in  
11 section 505.20.>  
12 \_\_\_\_\_. Page 2, after line 15 by inserting:  
13 <Sec. \_\_\_\_\_. NEW SECTION. 505.20 Health insurance  
14 and cost containment bureau ---- advisory board.  
15 1. a. The commissioner shall establish a  
16 bureau, to be known as the "health insurance and cost  
17 containment bureau", for the purpose of creating  
18 methodologies to hold health carriers accountable  
19 for the fair treatment of health care providers and  
20 developing affordability standards for health carriers  
21 that direct carriers to promote improved accessibility,  
22 quality, and affordability of health care.  
23 b. The commissioner shall employ professional and  
24 clerical staff to carry out the purposes and functions  
25 of the bureau.  
26 c. The commissioner shall adopt rules under chapter  
27 17A, in collaboration with the health insurance and  
28 cost containment advisory board, to administer and  
29 implement the purposes and functions of the bureau.  
30 2. a. A health insurance and cost containment  
31 advisory board is created to assist the commissioner  
32 in carrying out the purposes of the bureau. The  
33 advisory board shall consist of seven voting members  
34 and seven nonvoting members. The voting members shall  
35 be appointed by the governor, subject to confirmation  
36 by the senate. The governor shall designate one voting  
37 member as chairperson and one as vice chairperson.  
38 b. The voting members of the advisory board shall  
39 be appointed by the governor as follows:  
40 (1) Two persons who represent the interests of  
41 small business from nominations made to the governor  
42 by nationally recognized groups that represent the  
43 interests of small business.  
44 (2) Two persons who represent the interests of  
45 consumers from nominations made to the governor  
46 by nationally recognized groups that represent the  
47 interests of consumers.  
48 (3) One person who is an insurance producer  
49 licensed under chapter 522B.  
50 (4) One person who is a health care actuary or

**H-8512**

1 economist with expertise in health insurance.

2 (5) One person who is a health care provider.

3 c. The nonvoting members are as follows:

4 (1) The commissioner of insurance or the  
5 commissioner's designee.

6 (2) The director of human services or the  
7 director's designee.

8 (3) The director of public health or the director's  
9 designee.

10 (4) Four members of the general assembly,  
11 one appointed by the speaker of the house of  
12 representatives, one appointed by the minority leader  
13 of the house of representatives, one appointed by the  
14 majority leader of the senate, and one appointed by the  
15 minority leader of the senate.

16 d. Meetings of the advisory board shall be held at  
17 the call of the chairperson or upon the request of at  
18 least two voting members. Four voting members shall  
19 constitute a quorum and the affirmative vote of four  
20 voting members shall be necessary for any action taken  
21 by the advisory board.

22 e. The voting members of the advisory board shall  
23 be appointed for staggered terms of three years within  
24 sixty days after the effective date of this Act and by  
25 December 15 of each year thereafter. The initial terms  
26 of the voting members of the advisory board shall be  
27 staggered at the discretion of the governor. A voting  
28 member of the board is eligible for reappointment. The  
29 governor shall fill a vacancy on the board in the same  
30 manner as the original appointment for the remainder  
31 of the term.

32 f. Voting members of the advisory board may be  
33 reimbursed from the moneys collected from assessment  
34 fees for the administration of the bureau and the  
35 advisory board pursuant to subsection 7, for actual  
36 and necessary expenses incurred in the performance of  
37 their duties, but shall not be otherwise compensated  
38 for their services.

39 g. It shall be the duty of the advisory board to  
40 assist the bureau in carrying out the purposes and  
41 functions of the bureau by making recommendations for  
42 the creation of methodologies that hold health carriers  
43 in the state accountable for the fair treatment of  
44 health care providers and developing affordability  
45 standards for health carriers that direct such carriers  
46 to promote improved accessibility, quality, and  
47 affordability of health care. The advisory board shall  
48 also offer input to the commissioner regarding proposed  
49 rules, the operation of the bureau, and any other  
50 topics relevant to administering and implementing the

1 purposes and functions of the bureau.

2 3. a. Health care affordability efforts shall  
3 initially focus on the primary care level of care in  
4 an effort to create a stronger primary care system and  
5 greater supply of more highly compensated primary care  
6 providers by targeting more funding to primary care.

7 b. Beginning on December 31, 2013, and each year  
8 thereafter, each health carrier shall report to the  
9 bureau, in a format and including information as  
10 required by the commissioner by rule, the carrier's  
11 proportion of medical expense paid for primary care  
12 for the previous twelve months and the proportion of  
13 medical expense to be allocated to primary care for  
14 the succeeding twelve months beginning on January 1,  
15 2014, and each year thereafter. The proportion of  
16 medical expense paid for primary care shall increase by  
17 at least one percentage point per year for five years  
18 beginning on January 1, 2014.

19 c. Each health carrier shall submit a plan to  
20 the bureau each year in a format and including  
21 information as required by the commissioner by rule,  
22 that demonstrates how the increase in spending for  
23 primary care will be accomplished. The increase in  
24 spending for primary care shall be accomplished without  
25 contributing to an increase in premiums.

26 4. Each health carrier shall support the  
27 implementation of the medical home system as developed  
28 and implemented by the department of public health and  
29 the medical home system advisory council pursuant to  
30 sections 135.157, 135.158, and 135.159, by implementing  
31 the phase of the medical home system pursuant to  
32 section 135.159, subsection 11, that involves insurers  
33 and self-insured companies in making the medical  
34 home system available to individuals with private  
35 health care coverage. The health insurance and cost  
36 containment advisory board shall work collaboratively  
37 with the medical home system advisory council to  
38 implement this phase. In addition to the reimbursement  
39 methodologies and incentives for participation in the  
40 medical home system described in section 135.159,  
41 subsection 8, the advisory board and the medical  
42 home system advisory council shall review additional  
43 payment and system reforms to support the expanded  
44 implementation of the medical home system including but  
45 not limited to all of the following:

46 a. Rewarding high-quality, low-cost providers.

47 b. Creating participant incentives to receive care  
48 from high-quality, low-cost providers.

49 c. Fostering collaboration among providers to  
50 reduce cost shifting from one part of the health care

1 continuum to another.

2 d. Creating incentives for providing health care in  
3 the least restrictive, most appropriate setting.

4 e. Creating incentives to promote diversity in  
5 the size, geographic location, and accessibility of  
6 practices designated as medical homes throughout the  
7 state.

8 5. Each health carrier shall demonstrate by  
9 December 31, 2013, implementation of incentives  
10 consistent with the efforts of the department of public  
11 health and the electronic health information advisory  
12 council and executive committee pursuant to section  
13 135.156 to promote adoption of electronic health  
14 records by health care providers at all levels of the  
15 health care continuum. Health carriers shall submit a  
16 report to the bureau by December 31, 2014, concerning  
17 the incentive programs that have been implemented in  
18 a format and including information as required by the  
19 commissioner by rule.

20 6. Each health carrier shall participate in efforts  
21 regarding comprehensive delivery system reform,  
22 including payment reform, in coordination with other  
23 payers and health care providers.

24 a. As an initial step to inform such efforts,  
25 the bureau and advisory board shall develop a plan  
26 to implement an all-payer claims database by December  
27 31, 2013, to provide for the collection and analysis  
28 of claims data from multiple payers of health care  
29 delivered at all levels including but not limited to  
30 primary care, specialist care, outpatient surgery,  
31 inpatient stays, laboratory testing, and pharmacy  
32 data. The plan shall provide for development and  
33 implementation of a database that complies with any  
34 applicable requirements of the federal Act and that  
35 most effectively and efficiently provides data to  
36 determine health care utilization patterns and rates;  
37 identify gaps in prevention and health promotion  
38 services; evaluate access to care; assist with benefit  
39 design and planning; analyze statewide and local health  
40 care expenditures by provider, employer, and geography;  
41 inform the development of payment systems for  
42 providers; and establish clinical guidelines related  
43 to quality, safety, and continuity of care. The  
44 bureau shall submit the plan to the general assembly  
45 by December 31, 2012, including statutory changes  
46 necessary to collect and use such data, a standard  
47 means of collecting the data, an implementation  
48 and maintenance schedule, and a proposed budget and  
49 financing options for the database.

50 b. The bureau and advisory board shall also

1 recommend a provider payment system plan to reform the  
2 health care provider payment system beyond primary care  
3 providers, including but not limited to specialty care,  
4 hospital, and long-term care providers, as an effective  
5 way to promote coordination of care, lower costs, and  
6 improve quality.

7 7. a. Funding to operate the bureau and the  
8 advisory board shall come from federal and private  
9 grants and from assessment fees charged to health  
10 carriers. The commissioner shall charge an assessment  
11 fee to all health carriers in this state, as necessary  
12 to support the activities and operations of the bureau  
13 and the advisory board as provided under this section.  
14 No state funding shall be appropriated or allocated for  
15 the operation or administration of the bureau or the  
16 advisory board. The assessment shall provide for the  
17 sharing of bureau and advisory board expenses on an  
18 equitable and proportionate basis among health carriers  
19 in the state as provided in this subsection.

20 b. Following the close of each calendar year, the  
21 commissioner shall determine the expenses for operation  
22 and administration of the bureau and the advisory  
23 board. The expenses incurred shall be assessed by  
24 the commissioner to all health carriers in proportion  
25 to their respective shares of total health insurance  
26 premiums or payments for subscriber contracts received  
27 in Iowa during the second preceding calendar year, or  
28 with paid losses in the year, coinciding with or ending  
29 during the calendar year or on any other equitable  
30 basis as provided by rule. In sharing expenses,  
31 the commissioner may abate or defer in any part the  
32 assessment of a health carrier, if, in the opinion  
33 of the commissioner, payment of the assessment would  
34 endanger the ability of the health carrier to fulfill  
35 its contractual obligations. The commissioner may also  
36 provide for an initial or interim assessment against  
37 health carriers if necessary to assure the financial  
38 capability of the commissioner to meet the incurred  
39 or estimated operating expenses of the bureau and  
40 the advisory board until the next calendar year is  
41 completed.

42 c. For purposes of this subsection, "total health  
43 insurance premiums" and "payments for subscriber  
44 contracts" include, without limitation, premiums or  
45 other amounts paid to or received by a health carrier  
46 for individual and group health plan care coverage  
47 provided under any chapter of the Code or Acts, and  
48 "paid losses" includes, without limitation, claims paid  
49 by a health carrier operating on a self-funded basis  
50 for individual and group health plan care coverage

1 provided under any chapter of the Code or Acts. For  
2 purposes of calculating and conducting the assessment,  
3 the commissioner shall have the express authority  
4 to require health carriers to report on an annual  
5 basis each health carrier's total health insurance  
6 premiums and payments for subscriber contracts and  
7 paid losses. A health carrier is liable for its share  
8 of the assessment calculated in accordance with this  
9 subsection regardless of whether it participates in the  
10 individual insurance market.

11 8. The commissioner shall keep an accurate  
12 accounting of all activities, receipts, and  
13 expenditures of the bureau and advisory board and  
14 annually submit to the governor, the general assembly,  
15 and the public, a report concerning such accounting.

16 9. The bureau and the advisory board shall  
17 coordinate their activities with the Iowa Medicaid  
18 enterprise of the department of human services,  
19 the department of revenue, the department of public  
20 health, and the insurance division of the department  
21 of commerce to ensure that the state fulfills the  
22 requirements of the federal Act and to ensure that  
23 in the event that a health insurance exchange is  
24 established in the state, the functions and activities  
25 of the bureau and the advisory board can be seamlessly  
26 integrated into the exchange.

27 10. As used in this section, unless the context  
28 otherwise requires:

29 a. "Advisory board" means the health insurance and  
30 cost containment advisory board.

31 b. "Bureau" means the health insurance and cost  
32 containment bureau.

33 c. "Commissioner" means the commissioner of  
34 insurance.

35 d. "Federal Act" means the federal Patient  
36 Protection and Affordable Care Act, Pub. L. No.  
37 111-148, as amended by the federal Health Care and  
38 Education Reconciliation Act of 2010, Pub. L. No.  
39 111-152, and any amendments thereto, or regulations or  
40 guidance issued under those Acts.

41 e. "Health care provider" means a physician who is  
42 licensed under chapter 148, or a person who is licensed  
43 as a physician assistant under chapter 148C or as an  
44 advanced registered nurse practitioner.

45 f. "Health carrier" means an entity subject to the  
46 insurance laws and rules of this state, or subject to  
47 the jurisdiction of the commissioner, that contracts  
48 or offers to contract to provide, deliver, arrange  
49 for, pay for, or reimburse any of the costs of health  
50 care services, including an insurance company offering



1 sickness and accident plans, a health maintenance  
2 organization, a nonprofit hospital or health service  
3 corporation, or any other entity providing a plan of  
4 health insurance, health benefits, or health services.  
5 g. (1) "Health insurance" means benefits consisting  
6 of health care provided directly, through insurance  
7 or reimbursement, or otherwise, and including items  
8 and services paid for as health care under a hospital  
9 or health service policy or certificate, hospital or  
10 health service plan contract, or health maintenance  
11 organization contract offered by a carrier.  
12 (2) "Health insurance" does not include any of the  
13 following:  
14 (a) Coverage for accident-only or disability income  
15 insurance.  
16 (b) Coverage issued as a supplement to liability  
17 insurance.  
18 (c) Liability insurance, including general  
19 liability insurance and automobile liability insurance.  
20 (d) Workers' compensation or similar insurance.  
21 (e) Automobile medical-payment insurance.  
22 (f) Credit-only insurance.  
23 (g) Coverage for on-site medical clinic care.  
24 (h) Other similar insurance coverage, specified in  
25 federal regulations, under which benefits for medical  
26 care are secondary or incidental to other insurance  
27 coverage or benefits.  
28 (3) "Health insurance" does not include benefits  
29 provided under a separate policy as follows:  
30 (a) Limited scope dental or vision benefits.  
31 (b) Benefits for long-term care, nursing home care,  
32 home health care, or community-based care.  
33 (c) Any other similar limited benefits as provided  
34 by rule of the commissioner.  
35 (4) "Health insurance" does not include benefits  
36 offered as independent noncoordinated benefits as  
37 follows:  
38 (a) Coverage only for a specified disease or  
39 illness.  
40 (b) A hospital indemnity or other fixed indemnity  
41 insurance.  
42 (5) "Health insurance" does not include Medicare  
43 supplemental health insurance as defined under section  
44 1882(g)(1) of the federal Social Security Act, coverage  
45 supplemental to the coverage provided under 10 U.S.C.  
46 ch. 55, or similar supplemental coverage provided to  
47 coverage under group health insurance coverage.  
48 (6) "Group health insurance coverage" means health  
49 insurance offered in connection with a group health  
50 plan.>>

1 2. Page 1, after line 4 by inserting:  
2 <\_\_\_\_. Page 9, after line 5 by inserting:  
3 <Sec. \_\_\_\_\_. NEW SECTION. 513B.16 Premium rate  
4 increases ---- public hearing and comment.  
5 1. All health insurance carriers licensed to  
6 do business in the state under this chapter shall  
7 immediately notify the commissioner and policyholders  
8 of any proposed rate increase exceeding the average  
9 annual health spending growth rate stated in the  
10 most recent national health expenditure projection  
11 published by the centers for Medicare and Medicaid  
12 services of the United States department of health  
13 and human services, at least ninety days prior to the  
14 effective date of the increase. Such notice shall  
15 specify the rate increase proposed that is applicable  
16 to each policyholder and shall include ranking and  
17 quantification of those factors that are responsible  
18 for the amount of the rate increase proposed. The  
19 notice shall include information about how the  
20 policyholder can contact the consumer advocate for  
21 assistance.  
22 2. The commissioner shall hold a public hearing at  
23 least thirty days before the proposed rate increase is  
24 to take effect.  
25 3. The consumer advocate shall solicit public  
26 comments on each proposed health insurance rate  
27 increase if the increase exceeds the average annual  
28 health spending growth rate as provided in subsection  
29 1, and shall post without delay during the normal  
30 business hours of the division, all comments received  
31 on the insurance division's internet site prior to the  
32 effective date of the increase.  
33 4. The consumer advocate shall present the public  
34 testimony, if any, and public comments received,  
35 for consideration by the commissioner prior to the  
36 effective date of the increase.>>  
37 3. Page 1, by striking lines 5 and 6 and inserting:  
38 <\_\_\_\_. Page 15, after line 14 by inserting:>  
39 4. Page 8, by striking lines 25 and 26.  
40 5. By renumbering as necessary.

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# Fiscal Note

*Fiscal Services Division*



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**SF 2342** – Geothermal, Solar, and Other Tax Changes (LSB 6139SV)  
Analyst: Jeff Robinson (Phone: 515-281-4614) ([jeff.robinson@legis.state.ia.us](mailto:jeff.robinson@legis.state.ia.us))  
Fiscal Note Version – As passed by the Senate

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## **Description**

**Senate File 2342** relates to income tax credits, a property tax exemption, and sales tax exemptions. The Bill:

- Creates an individual income tax credit for the installation of a residential geothermal heat pump. The new income tax credit is equal to 20.0% of the federal residential energy efficiency tax credit available for geothermal heat pump installations. The federal credit is equal to 30.0% of qualified geothermal heat pump installation expenditures and is set to expire December 31, 2016. The Iowa tax credit will continue to be available should the federal tax credit be extended. The new State tax credit is first available in tax year 2012 and it is not refundable, but unused credits can be carried forward and utilized by the taxpayer in ten future fiscal years.
- Prevents the installation of a geothermal heat pump system from increasing the assessed value of residential property for 10 assessment years. This applies to systems installed on or after July 1, 2012, and first assessed for property tax purposes on January 1, 2013 (FY 2015).
- Creates a State individual and corporate income tax credit equal to 25.0% of a federal tax credit that is available for the installation of solar energy systems. The federal credit is equal to 30.0% of qualified solar energy system installation expenditures and is set to expire December 31, 2017. The Iowa tax credit will continue to be available should the federal tax credit be extended. The annual aggregate limit for all Iowa solar energy credits is \$1.5 million. The new income tax credit is first available in tax year 2012 and is not refundable, but unused credits may be carried forward and utilized by the taxpayer in 10 future fiscal years.
- Creates a sales tax exemption for auto body repair materials. The exemption is effective on enactment.
- Creates a sales tax exemption for inputs used in a car wash for a retailer providing a car wash service. The exemption is effective on enactment.

## **Assumptions – Geothermal**

- The Iowa Utilities Board estimates that 2,000 residential geothermal installations occur each year (new construction and replacement systems).
- The Department of Revenue estimates that the average cost of installation is \$17,500. An individual income tax credit based on 20.0% of the 30.0% federal credit equals a State tax credit of \$1,050, and using the redemption patterns of other nonrefundable tax credits, it is assumed the \$1,050 will be utilized as follows:
  - First tax year = 56.0%
  - Second tax year = 30.0%
  - Third tax year = 9.0%
  - Fourth tax years = 5.0%
- The Department of Revenue's Iowa Real Property Appraisal Manual places an additional property value equal to \$4.00 per square foot for the installation of a geothermal heating

system in a single-family residential home. Due to construction-quality grade adjustments, the typical square foot adjustment for a geothermal heat pump home is \$4.88 per square foot.

- Polk County property assessment data indicate that the median square footage of a home with a geothermal heat pump is 1,792 square feet. At \$4.88 per square foot, this equals \$8,745 in assessed value per installation.
- The residential rollback is 50.7518% for assessment year 2011 (FY 2013) and is projected to increase over the next eight years. For estimating purposes, a rollback value of 55.0000% was used.
- The FY 2012 average residential tax rate was \$35.68 per \$1,000 of taxable value and that rate was assumed for this estimate. The school aid basic levy represents \$5.40 of the \$35.58 average tax rate.
- Given the above property tax related assumptions, the average property tax reduction associated with this proposed exemption is \$172 per year for 10 years (\$1,720).

#### **Assumptions – Solar Energy Systems**

- The entire \$1.5 million annual aggregate tax credit amount will be awarded each tax year. Claims in excess of the annual cap will be denied.
- Using the redemption patterns of other nonrefundable tax credits, it is assumed the solar tax credits will be utilized as follows:
  - First tax year = 56.0%
  - Second tax year = 30.0%
  - Third tax year = 9.0%
  - Fourth tax years = 5.0%

#### **Assumptions – Auto Body Repair Materials**

- Total repair costs in Iowa are estimated at \$262.9 million in the base year and 10.3% of the cost is for materials impacted by the Bill.
- Growth in taxable sales is estimated at 3.7% in FY 2012, 3.4% in FY 2013, 3.7% in FY 2014, and 4.4% in FY 2015.
- Cost mark-up for the auto body repair dealers is assumed to be 30.0% of the cost of the materials.
- All auto body repair dealers will provide a value for the materials used on the bill of sale and that amount will be subject to sales tax payable by the consumer.
- The effective date will be May 1, 2012.

#### **Assumptions – Car Wash Sales Tax Exemption**

- Based on data from the Iowa Department of Revenue, taxable car wash sales between FY 2008 and FY 2010 averaged \$85.8 million per year. Of this amount, inputs are assumed to be equal to 14.4%.
- Growth in taxable sales is estimated at 3.7% in FY 2012, 3.4% in FY 2013, 3.7% in FY 2014, and 4.4% in FY 2015.
- The effective date will be May 1, 2012.

#### **Fiscal Impact – Geothermal**

The new individual income tax credit created in the Bill for geothermal installations is projected to reduce income taxes paid to the State by \$10.5 million over eight fiscal years. Should the federal credit be extended past 2016, the State credit will have an impact beyond FY 2020. The Bill will also have a modest negative impact (\$36,000 to \$50,000 per year) on revenue generated by the local option income surtax for schools.

The property tax exemption created in the Bill is projected to reduced property taxes owed by the impacted taxpayers by \$0.1 million in FY 2015 and that impact will grow in annual increments of approximately \$300,000 through FY 2020. Through the school aid formula, the State General Fund appropriations will replace approximately 15.1% of the property tax reduction and the remaining impact will represent reduced local government property tax revenue.

<b>Fiscal Impacts in Millions of Dollars</b>			
	State General Fund Revenue Reduction	State School Aid Appropriation Increase	Local Property Tax Revenue Reduction
FY 2013	\$ 1.2	\$ 0.0	\$ 0.0
FY 2014	1.8	0.0	0.0
FY 2015	2.0	0.0	0.1
FY 2016	2.1	0.1	0.4
FY 2017	2.1	0.1	0.7
FY 2018	0.9	0.2	1.0
FY 2019	0.3	0.2	1.3
FY 2020	0.1	0.3	1.6
FY 2021	0.0	0.3	1.9
FY 2022	0.0	0.4	2.2
FY 2023	0.0	0.4	2.5
FY 2024	0.0	0.5	2.8

### **Fiscal Impact – Solar Energy Systems**

The new State solar energy system income tax credit created in the Bill is projected to reduce net General Fund revenue by \$9.0 million over nine fiscal years. Should the federal credit be extended past 2017, the State impact will continue beyond FY 2021. The new tax credit will also have a modest negative impact (\$35,000 to \$40,000 per year) on revenue generated by the local option income surtax for schools.

State General Fund Revenue Reduction	
	Millions of Dollars
FY 2013	\$ 0.8
FY 2014	1.3
FY 2015	1.4
FY 2016	1.5
FY 2017	1.5
FY 2018	1.5
FY 2019	0.7
FY 2020	0.2
FY 2021	0.1

### **Fiscal Impact – Sales Tax Exemptions**

The following table provides the impact of the auto body repair materials and car wash sales tax exemptions on the State General Fund, the Secure an Advanced Vision for Education (SAVE) Fund, and local option sales tax (LOST) revenue.

<b>Estimated Fiscal Impact Sales Tax Exemptions</b>				
	<b>Total State Sales Tax</b>	<b>General Fund</b>	<b>SAVE</b>	<b>LOST</b>
FY 2012: Auto Repair Material	\$ 65,059	\$ 54,216	\$ 10,843	\$ 9,434
FY 2012: Car Wash Inputs	-127,675	-106,396	-21,279	-18,513
<b>FY 2012: Net Impact</b>	<b>-62,616</b>	<b>-52,180</b>	<b>-10,436</b>	<b>-9,079</b>
FY 2013: Auto Repair Material	\$ 403,628	\$ 336,357	\$ 67,271	\$ 58,526
FY 2013: Car Wash Inputs	-792,098	-660,082	-132,016	-114,854
<b>FY 2013: Net Impact</b>	<b>-388,470</b>	<b>-323,725</b>	<b>-64,745</b>	<b>-56,328</b>
FY 2014: Auto Repair Material	\$ 418,563	\$ 348,802	\$ 69,760	\$ 60,692
FY 2014: Car Wash Inputs	-821,406	-684,505	-136,901	-119,104
<b>FY 2014: Net Impact</b>	<b>-402,844</b>	<b>-335,703</b>	<b>-67,141</b>	<b>-58,412</b>
FY 2015: Auto Repair Material	\$ 436,979	\$ 364,149	\$ 72,830	\$ 63,362
FY 2015: Car Wash Inputs	-857,548	-714,623	-142,925	-124,344
<b>FY 2015: Net Impact</b>	<b>\$ -420,569</b>	<b>\$ -350,474</b>	<b>\$ -70,095</b>	<b>\$ -60,982</b>
SAVE = Secure an Advanced Vision for Education				
LOST = Local Option Sales Tax				

### **Summary of General Fund Impact**

The following table provides a summary of the General Fund impact for SF 2342 for the FY 2012 to FY 2015.

<b>Summary of General Fund Impact for SF 2342 FY 2012 - 2015</b>				
<b>Dollars in Millions</b>				
	<b>General Fund Revenue Reduction</b>			
	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Geothermal Tax Credit	N/A	\$ 1.2	\$ 1.8	\$ 2.0
Solar Energy Systems Tax Credit	N/A	0.8	1.3	1.4
Auto Body Repair & Car Wash				
Sales Tax Exemption Net Impact	0.1	0.3	0.3	0.3
<b>Total General Fund Impact</b>	<b>\$ 0.1</b>	<b>\$ 2.3</b>	<b>\$ 3.4</b>	<b>\$ 3.7</b>
<b>Note:</b> SF 2342 also impacts school aid appropriations, local property tax revenue, the SAVE Fund, and local option sales tax revenue. See the detail in the body of this fiscal note for more detail.				

**Sources**

Iowa Utilities Board  
Department of Revenue  
Iowa Real Property Appraisal Manual  
Polk County residential assessment statistics  
Body Shop Business, State of the Industry Reports (2006, 2008, 2010-11)  
Iowa Collision and Repair Association  
LSA analysis and calculations

/s/ Holly M. Lyons

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April 30, 2012

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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# Fiscal Note

*Fiscal Services Division*



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**HF 2473** – Business Development Financial Assistance Program (LSB 5347HZ)  
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Fiscal Note Version – New  
Requested by Representative Josh Byrnes

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## **Description**

**House File 2473** adds a direct financial assistance component to the High Quality Jobs Program and makes other changes related to the sunset of the Economic Development Fund (formerly the Grow Iowa Values Fund). The Bill also repeals the Film, Television, and Video Project Promotion tax credit.

## **Background**

**House File 648** (FY 2012 Infrastructure Appropriations Act) repealed the Economic Development Fund effective June 30, 2012, and required the Iowa Economic Development Authority (EDA) to propose to the General Assembly a new business development financial assistance program and any changes in law necessary to implement the repeal of the subchapter. The EDA submitted **HSB 591** to fulfill this requirement.

The historical expenditures and current year budget estimate for administration of the Economic Development Fund is outlined in the table below.

	<u>Actual FY 2010</u>	<u>Actual FY 2011</u>	<u>Estimated FY 2012</u>
Expenditures	\$ 1,552,025	\$ 1,319,706	\$ 1,617,676
FTE Positions	15.1	13.3	17.3

Additionally, the EDA has expended money associated with National Marketing (\$2.3 million), Laborshed Studies (\$145,000), and Information Technology/Technical Assistance (\$350,000).

## **Assumptions**

The following assumptions were used in the preparation of this memo:

- The amount appropriated for this Program will vary each fiscal year.
- The costs outlined above will remain constant.
- Depending on the amount appropriated, the EDA will adjust its budget accordingly.
- Withholding Tax Payment Diversion is capped at \$10.0 million.
- In FY 2012, the EDA signed agreements for 566 created and retained jobs, and awarded projects to date that would create or retain a total of 2,341 jobs in the High Quality Jobs Program and the Enterprise Zone Program. These jobs have an average salary of \$42,000. Additionally, the EDA has 4 projects that have a total of 353 created and retained jobs still awaiting contract. These jobs have an average salary of \$34,000.
- The EDA will annually contract for 4,500 created or retained jobs. These jobs will have an average salary of \$33,000.
- All the jobs outlined will be created or retained in 1/3 increments over three years, with a total withholding timeline of five years.



- The EDA will reach the aggregate tax credit cap in Iowa Code section [15.119](#) with or without the Film, Television, and Video Project Promotion tax credit.

### **Fiscal Impact**

The Department of Revenue calculates that the impact of the Bill will be a withholding tax diversion of General Fund revenue of \$1.7 million in FY 2013, \$2.6 million in FY 2014, \$3.7 million in FY 2015, and \$4.8 million in FY 2016. The diverted funds will be deposited to a newly created fund and will be used for project completion assistance, incentives, and other assistance administered by the EDA. However, these estimates are based on the awards made in FY 2010, when the High Quality Jobs Program only included tax credits for awards, and not direct funding capabilities added in this Bill. Additionally, there was no accounting for jobs being created or retained incrementally.

[House File 2473](#) will have a maximum annual General Fund impact of diverting \$10.0 million in withholding tax revenue to the EDA. Using the assumptions outlined above, the impact will be a diversion of General Fund revenue in the following manner:

Estimated Diversion to IEDA (in millions)	
FY 2013	\$ 2.4
FY 2014	5.9
FY 2015 & beyond	10.0

These diversions will be impacted on the rate that a company creates or retains its obligated jobs, and if a job is initially created but later lost, the diverted withholdings would be impacted.

The EDA will continue to have the same administration costs of running a direct funding financial assistance program as outlined above.

Since the Film, Television, and Video Project Promotion tax credits are currently suspended, no fiscal impact is anticipated.

### **Sources**

Department of Revenue  
Iowa Economic Development Authority  
LSA Analysis & Calculations

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/s/ Holly M. Lyons

April 30, 2012

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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